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**Report on the Treasury Bureau of the
Public Debt Trust Fund Management
Branch Schedules and Notes for Selected
Trust Funds for the Period
October 1, 2001 to September 30, 2002**

OIG-03-023

November 25, 2002



Office of Inspector General

The Department of the Treasury



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

November 25, 2002

MEMORANDUM FOR VAN ZECK, COMMISSIONER
BUREAU OF THE PUBLIC DEBT

FROM: William H. Pugh, *William H. Pugh*
Deputy Assistant Inspector General
for Financial Management and Information
Technology Audits

SUBJECT: Report on the Treasury Bureau of the Public Debt
Trust Fund Management Branch Schedules and Notes
for Selected Trust Funds for the Period
October 1, 2001 to September 30, 2002

I am pleased to transmit the attached Report on the Treasury Bureau of the Public Debt (BPD) Trust Fund Management Branch (TFMB) Schedule of Assets and Liabilities and the related Schedule of Activity of Selected Trust Funds as of and for the year ended September 30, 2002 (the Schedules). These Schedules relate solely to the functions performed by TFMB as custodian of the following Trust Funds' monies and investments:

- Federal Supplementary Medical Insurance Trust Fund,
- Federal Hospital Insurance Trust Fund,
- Highway Trust Fund,
- Airport and Airway Trust Fund,
- Hazardous Substance Superfund Trust Fund,
- Leaking Underground Storage Tank Trust Fund, and
- Oil Spill Liability Trust Fund.

We contracted with KPMG LLP, an Independent Public Accountant (IPA), to examine BPD's assertions pertaining to the Schedules. The IPA performed its examination in accordance with the American Institute of Certified Public Accountants' Statements on Standards for Attestation Engagements and generally accepted government auditing standards. The following IPA reports are incorporated in the attachment:

- Independent Auditors' Report on Management's Assertions; and
- Independent Auditors' Report on Compliance with Laws and Regulations.

The IPA concluded that the BPD's assertions (which are included in the IPA's Report on Management's Assertions) pertaining to the Schedules are fairly stated, in all material respects based on the measurement and disclosure criteria set forth in Note 1 to the Schedules. In addition, the Independent Auditors' Report on Compliance with Laws and Regulations contained no instances of noncompliance.

The IPA issued a management letter dated November 1, 2002, discussing various issues that were identified during the examination which were not required to be included in the audit reports.

My staff's review of the IPA's working papers determined that the work was performed in accordance with generally accepted government auditing standards. Should you have any questions, please contact me at (202) 927-5430, or a member of your staff may contact Louis C. King, Director, Financial Audits at (202) 927-5774.

Attachment

cc: Donald V. Hammond
Under Secretary for Domestic Finance, and
Fiscal Assistant Secretary

**U.S. Department of the Treasury
Bureau of the Public Debt
Trust Fund Management Branch**

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I. Independent Auditors' Report on Management's Assertions



2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Management's Assertions

Inspector General, U.S. Department of the Treasury, and
Commissioner, Bureau of the Public Debt:

We have examined the following assertions of the Trust Fund Management Branch (TFMB) of the Bureau of the Public Debt (BPD) of the U.S. Department of the Treasury (Treasury) with respect to the accounts of each trust fund included on the accompanying Schedule of Assets and Liabilities of Selected Trust Funds as of September 30, 2002 and the related Schedule of Activity of Selected Trust Funds for the year then ended:

- Fund balance with Treasury is reported based on the balance reported by Treasury's Financial Management Service (FMS) in the Treasury Fund Statement 6653 Undisbursed Appropriation Account Ledger and appropriate reconciling transactions.
- Interest receivable is calculated and reported by TFMB based on the investment terms reported to TFMB by BPD's Federal Investments Branch (FIB) in the investment confirmations and monthly statements of account.
- Other receivables are reported based on amounts reported to TFMB by the program agencies responsible for the respective trust fund activity.
- Investments are reported at net cost based on the cost amounts reported to TFMB in the investment confirmations received from BPD's FIB and the unamortized premiums and discounts calculated by TFMB based on investment terms received from FIB.
- The market value of investments is calculated and reported by TFMB using the recorded investment cost and the market rates published in the September 30, 2002 *Treasury Quote* file.
- Program agency equity is reported based on the net assets available to the program agency.
- Available program agency equity is reported based on amounts reported to TFMB by the program agencies responsible for the respective trust fund activity.
- Other program agency equity is calculated by TFMB as the difference between the total net assets available to the program agency and the available program agency equity reported to TFMB by the program agencies responsible for the respective trust fund activity.





- Interest revenue is reported based on the amounts reported to TFMB by FIB in the monthly statements of account and accrued interest and amortization calculated by TFMB. Amortization of any premiums and discounts on investments is calculated and reported by TFMB based on the investment terms reported to TFMB by FIB using the straight-line method for investments with a term equal to or less than one year and using the level yield method which approximates the interest method for investments with a term of greater than one year.
- Penalties, fines, administrative fees, donated revenue, transfers in from program agencies, premiums, cost recoveries, and other income are reported based on the amounts reported to TFMB by FMS and the program agencies responsible for the respective trust fund activity.
- Tax revenues and refunds are reported based on the amounts reported to TFMB by FMS.
- Transfers to program agencies are reported based on the disbursement request amounts received by TFMB from the program agencies responsible for the respective trust fund activity.
- Reimbursements to Treasury bureaus and the General Fund are reported based on the disbursement request amounts determined by various Treasury bureaus, including BPD and FMS.

These assertions are the responsibility of TFMB's management. Our responsibility is to express an opinion on these assertions based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining on a test basis, evidence supporting the assertions stated above and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, TFMB's assertions referred to above relating to the accounts of each trust fund reported on the accompanying Schedule of Assets and Liabilities of Selected Trust Funds as of September 30, 2002, and the related Schedule of Activity of Selected Trust Funds for the year then ended, are fairly stated, in all material respects based on the measurement and disclosure criteria set forth in Note 1 to the schedules.



In accordance with *Government Auditing Standards*, we have also issued a report dated November 1, 2002, on our tests of compliance with certain provisions of laws and regulations applicable to BPD's management of the trust funds. We also issued reports dated November 1, 2002, in accordance with the AICPA's Statement on Auditing Standards (SAS) No. 70, *Service Organizations*, SAS No. 78 *Consideration of Internal Control in a Financial Statement Audit*, and SAS No. 88 *Service Organizations and Reporting on Consistency* related to our examination of the controls at FIB and TFMB. These reports should be read in conjunction with this report in considering the results of our attestation engagement.

This report is intended solely for the information and use of the management of BPD, program agencies responsible for their respective trust fund activity, the U.S. Department of the Treasury Office of Inspector General, Office of Management and Budget, General Accounting Office, and the U. S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 1, 2002

II. Independent Auditors' Report on Compliance with Laws and Regulations



2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Compliance with Laws and Regulations

Inspector General, U.S. Department of the Treasury, and
Commissioner, Bureau of the Public Debt:

We have examined assertions of the Trust Fund Management Branch (TFMB) of the Bureau of the Public Debt (BPD) of the U.S. Department of the Treasury with respect to the accounts of each of the following trust funds included on the Schedule of Assets and Liabilities of Selected Trust Funds as of September 30, 2002 and the related Schedule of Activity of Selected Trust Funds for the year then ended, and have issued our report thereon dated November 1, 2002:

- Federal Supplementary Medical Insurance Trust Fund
- Federal Hospital Insurance Trust Fund
- Highway Trust Fund
- Airport and Airway Trust Fund
- Hazardous Substance Superfund Trust Fund
- Leaking Underground Storage Tank Trust Fund
- Oil Spill Liability Trust Fund

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The management of BPD is responsible for complying with laws and regulations applicable to the management of the trust funds. As part of obtaining reasonable assurance about whether the assertions with respect to the accounts of each of the trust funds referred to above are free of material misstatement, we performed tests of BPD's compliance with certain provisions of laws and regulations related to the management of the trust funds, noncompliance with which could have a direct and material effect on the determination of the schedule amounts, and certain provisions of other laws and regulations specified in Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, including certain requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to BPD's management of the trust funds. However, providing an opinion on compliance with laws and regulations was not an objective of our examination, and, accordingly, we do not express such an opinion.





The results of our tests of compliance with the certain provisions of laws and regulations described in the preceding paragraph of this report, exclusive of FFMIA, disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 01-02.

Under FFMIA, we are required to report whether BPD's financial management systems used to manage the trust funds substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

The results of our tests disclosed no instances in which the financial management systems used to manage the trust funds did not substantially comply with the three requirements discussed in the preceding paragraph.

This report is intended solely for the information and use of the management of BPD, program agencies responsible for their respective trust fund activity, the U.S. Department of the Treasury Office of Inspector General, Office of Management and Budget, General Accounting Office, and the U. S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 1, 2002

III. Schedule of Assets and Liabilities of Selected Trust Funds

U.S. Department of the Treasury
Bureau of the Public Debt - Trust Fund Management Branch
Schedule of Assets and Liabilities of Selected Trust Funds
As of September 30, 2002

Federal Supplementary						
	Medical Insurance		Federal Hospital		Highway	Airport and Airway
	Trust Fund		Insurance Trust Fund		Trust Fund	Trust Fund
ASSETS						
Fund Balance with Treasury	\$	(13,340,591)	\$	14,320,429	\$	584,639,748
Interest Receivable		625,183,055		3,696,366,005	-	124,867,181
Other Receivable		-		535,041,001	-	-
Investments (Net)		<u>38,804,496,000</u>		<u>228,906,015,000</u>	<u>18,840,127,000</u>	<u>10,996,847,000</u>
Total Assets	\$	<u>39,416,338,464</u>	\$	<u>233,151,742,435</u>	<u>20,951,671,018</u>	<u>11,706,353,929</u>
LIABILITIES						
Program Agency Equity:						
Available	\$	1,047,255,300	\$	1,033,623,934	\$	2,831,878,370
Other		<u>38,369,083,164</u>		<u>232,118,118,501</u>	<u>16,150,998,157</u>	<u>8,874,475,559</u>
Total Liabilities	\$	<u>39,416,338,464</u>	\$	<u>233,151,742,435</u>	<u>20,951,671,018</u>	<u>11,706,353,929</u>

The accompanying notes are an integral part of the schedules.

Continued

U.S. Department of the Treasury
Bureau of the Public Debt - Trust Fund Management Branch
Schedule of Assets and Liabilities of Selected Trust Funds
As of September 30, 2002

	Hazardous Substance Superfund <u>Trust Fund</u>	Leaking Underground Storage Tank <u>Trust Fund</u>	Oil Spill Liability <u>Trust Fund</u>
ASSETS			
Fund Balance with Treasury	\$ 1,875,709	\$ 12,232,368	\$ 610,569
Interest Receivable	12,972,894	22,531,127	1,946,136
Other Receivable	-	-	-
Investments (Net)	<u>3,297,001,858</u>	<u>1,929,520,851</u>	<u>1,005,431,466</u>
Total Assets	<u>\$ 3,311,850,461</u>	<u>\$ 1,964,284,346</u>	<u>\$ 1,007,988,171</u>
LIABILITIES			
Program Agency Equity:			
Available	\$ 2,762,429,853	\$ 80,874,572	\$ 155,418,314
Other	<u>549,420,608</u>	<u>1,883,409,774</u>	<u>852,569,857</u>
Total Liabilities	<u>\$ 3,311,850,461</u>	<u>\$ 1,964,284,346</u>	<u>\$ 1,007,988,171</u>

The accompanying notes are an integral part of the schedules.

IV. Schedule of Activity of Selected Trust Funds

U.S. Department of the Treasury
Bureau of the Public Debt - Trust Fund Management Branch
Schedule of Activity of Selected Trust Funds
For the Year Ended September 30, 2002

	Federal Supplementary				
	Medical Insurance		Federal Hospital	Highway	Airport and Airway
	<u>Trust Fund</u>		<u>Insurance Trust Fund</u>	<u>Trust Fund</u>	<u>Trust Fund</u>
REVENUES					
Interest Revenue	\$ 2,837,102,578	\$ 14,127,160,642	\$	1,579,842	\$ 777,762,065
Penalties, Fines, and Administrative Fees	-	765,795,089		14,790,307	-
Donated Revenue	3,820	6,820		-	-
Transfers In from Program Agencies	78,357,756,132	1,160,529,658		-	-
Tax Revenue	-	160,344,141,793		33,667,103,001	9,013,050,000
Tax Refunds	-	-		(1,079,301,130)	(59,613,000)
Premiums	24,426,702,963	1,524,688,103		-	-
Cost Recoveries	-	-		-	-
Other Income	3,415,989	845,118		-	-
Total Revenues	<u>105,624,981,482</u>	<u>177,923,167,223</u>		<u>32,604,172,020</u>	<u>9,731,199,065</u>
DISPOSITION OF REVENUES					
Transfers to Program Agencies	108,891,569,271	147,938,030,193		37,869,669,666	12,093,498,144
Reimbursements to Treasury Bureaus and the General Fund	426,258	40,404,542		-	-
Total Disposition of Revenues	<u>108,891,995,529</u>	<u>147,978,434,735</u>		<u>37,869,669,666</u>	<u>12,093,498,144</u>
Net Increase/(Decrease) in Program Agency Equity	<u>\$ (3,267,014,047)</u>	<u>\$ 29,944,732,488</u>		<u>\$ (5,265,497,646)</u>	<u>\$ (2,362,299,079)</u>

The accompanying notes are an integral part of the schedules.

Continued

U.S. Department of the Treasury
Bureau of the Public Debt - Trust Fund Management Branch
Schedule of Activity of Selected Trust Funds
For the Year Ended September 30, 2002

	Hazardous Substance Superfund <u>Trust Fund</u>	Leaking Underground Storage Tank <u>Trust Fund</u>	Oil Spill Liability <u>Trust Fund</u>
REVENUES			
Interest Revenue	\$ 110,577,435	\$ 67,563,066	\$ 33,092,081
Penalties, Fines, and Administrative Fees	1,443,822	-	7,665,400
Donated Revenue	-	-	-
Transfers In from Program Agencies	676,292,000	-	-
Tax Revenue	7,465,755	187,024,000	-
Tax Refunds	-	(5,834,000)	-
Premiums	-	-	-
Cost Recoveries	248,252,386	-	12,642,276
Other Income	-	-	33,006
Total Revenues	<u>1,044,031,398</u>	<u>248,753,066</u>	<u>53,432,763</u>
DISPOSITION OF REVENUES			
Transfers to Program Agencies	1,456,992,994	75,498,579	174,604,134
Reimbursements to Treasury Bureaus and the General Fund	-	-	40,954
Total Disposition of Revenues	<u>1,456,992,994</u>	<u>75,498,579</u>	<u>174,645,088</u>
Net Increase/(Decrease) in Program Agency Equity	<u>\$ (412,961,596)</u>	<u>\$ 173,254,487</u>	<u>\$ (121,212,325)</u>

The accompanying notes are an integral part of the schedules.

V. Notes to the Schedules

U.S. Department of the Treasury – Bureau of the Public Debt
Trust Fund Management Branch
Notes to the Schedules
September 30, 2002

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The accompanying Schedule of Assets and Liabilities of Selected Trust Funds and related Schedule of Activity of Selected Trust Funds (Schedules) pertain to the aspects of certain Treasury Managed Trust Funds that are serviced by the Trust Fund Management Branch (TFMB) of the Bureau of the Public Debt (BPD) of the U.S. Department of the Treasury (Treasury). The trust funds were created by legislation enacted by the U.S. Congress.

TFMB acts as a service organization which processes receipts, disbursements, and transfers related to the trust funds based upon information provided by the Internal Revenue Service (IRS) and the Office of Tax Analysis (OTA), the program agencies responsible for their trust fund activity, Treasury's Financial Management Service (FMS), and other Treasury bureaus. As part of its functions, BPD also manages the investments, maintains related accounting records and supporting documentation, and reports financial activity. The financial activity reported in these Schedules is limited to the activities performed by TFMB.

The program agencies are responsible for administering, regulating, and monitoring the program activities funded by the trust funds. The program agencies make all decisions regarding dispositions from the trust funds. As such, these Schedules do not include information regarding the ultimate disposition of amounts transferred from the trust funds to the program agencies.

B. Basis of Presentation

The Schedules have been prepared to report the assets and liabilities of the trust funds under the function performed by TFMB, and the related activity, in accordance with applicable financial presentation guidelines to the extent those guidelines apply to the limited activities performed by TFMB.

C. Basis of Accounting

The Schedules are recorded using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

U.S. Department of the Treasury – Bureau of the Public Debt
Trust Fund Management Branch
Notes to the Schedules
September 30, 2002

Note 1 - Summary of Significant Accounting Policies (continued)

D. Fund Balance with Treasury

The Trust Funds do not maintain cash in commercial bank accounts. Treasury processes cash receipts and disbursements. Fund Balance with Treasury represents net revenue, disposition of revenue, and investment activity.

E. Investments

Pursuant to authorizing legislation, the Secretary of the Treasury shall invest, at the direction of the program agencies, such portion of the trust fund balances as is not, in the judgment of the program agencies, necessary to meet current withdrawals. Such investments shall be in non-marketable par value or non-marketable market-based securities as authorized by legislation. Par value securities are special issue bonds or certificates of indebtedness that bear interest determined by legislation or the Treasury. Market based securities are Treasury securities that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Both par value and market-based securities are issued and redeemed by the Federal Investments Branch of BPD.

TFMB follows Treasury fiscal investment policy guidelines. TFMB determines the term of the securities purchased based on direction provided by the program agencies. The securities are acquired and held in the name of the Secretary of the Treasury for the trust funds. The interest on and proceeds from the sale or redemption of any security held for the trust funds are credited to the appropriate trust fund. Investments are selected for liquidation based on the following order: earliest maturity date, lowest prevailing interest rate, and first security in first security out.

Investments are valued at cost and adjusted for amortization of premiums and discounts, if applicable. The premiums and discounts are recognized as adjustments to interest income, utilizing the straight-line method for short term securities (i.e., bills) and the level yield method for longer term securities (i.e., notes). The level yield method approximates the interest method of amortization. Interest on investments is accrued as it is earned.

U.S. Department of the Treasury – Bureau of the Public Debt
Trust Fund Management Branch
Notes to the Schedules
September 30, 2002

Note 1 - Summary of Significant Accounting Policies (continued)

F. Available and Other Program Agency Equity

Available program agency equity is determined by the program agencies and represents the amount of program agency equity that may be transferred as of September 30, 2002 to the program agencies at the request of the program agencies. The remaining balance of program agency equity is reported as other program agency equity.

G. Revenues

Pursuant to authorizing legislation, revenue activity recorded in the trust funds consists primarily of interest, penalties, fines, administrative fees, donated revenue, transfers in from program agencies, taxes (net of refunds), premiums, cost recoveries, and other income, which are designated to be appropriated and transferred from the General Fund of the Treasury to the Trust Funds.

OTA estimates the tax revenues each month based on projected tax receipts and provides the estimates to FMS. FMS transfers the amount of estimated taxes to the trust fund accounts. The IRS or program agencies generally certify the tax revenues two quarters after the taxes are estimated (i.e., 1st quarter estimate is certified in the 3rd quarter) and provide this certification to FMS. FMS calculates the tax adjustment as the difference between the taxes estimated by OTA and taxes certified by the IRS/program agencies and adjusts the trust fund accounts accordingly. FMS reports the tax adjustments to TFMB. As a result of the timing of the certification, the statement of activity includes certified tax revenues (i.e. actual tax revenues) for the first two quarters of the fiscal year and estimated tax revenues for the second two quarters of the fiscal year.

The non-tax revenues are based on amounts reported to TFMB by the program agencies responsible for the respective trust fund activity.

U.S. Department of the Treasury – Bureau of the Public Debt
Trust Fund Management Branch
Notes to the Schedules
September 30, 2002

Note 1 - Summary of Significant Accounting Policies (continued)

H. Transfers to Program Agencies

Dispositions from the Trust Funds are made in accordance with the authorizing legislation to the program agencies, which are responsible for the ultimate disposition of such funds, to cover program administration and related costs as defined by law.

I. Reimbursements to Treasury Bureaus and the General Fund

In the case of certain trust funds, BPD and Financial Management Service (FMS) are authorized by law to receive direct reimbursement from the trust funds for certain administrative expenses. Also, the Secretary of the Treasury is authorized by law to charge trust funds to reimburse the General Fund for administrative expenses incurred by other Treasury bureaus in performing activities related to administering the trust funds. These reimbursement amounts are determined by Treasury based on its assessment of the value of the services provided.

Note 2 - Investments

Federal Supplementary Medical Insurance Trust Fund

Investments at September 30, 2002, are non-marketable par value intragovernmental securities with a cost of \$38,804,496,000.

Federal Hospital Insurance Trust Fund

Investments at September 30, 2002, are non-marketable par value intragovernmental securities with a cost of \$228,906,015,000.

Highway Trust Fund

Investments as of September 30, 2002, are non-marketable par value intragovernmental securities with a cost of \$18,840,127,000. In accordance with Public Law 105-277, 112 Statute 2681, investments held by the Trust Fund ceased earning interest after September 30, 1998. However, the fund can earn interest pursuant to the Cash Management Improvement Act.

Airport and Airway Trust Fund

Investments at September 30, 2002, are non-marketable par value intergovernmental securities with a cost of \$10,996,847,000.

U.S. Department of the Treasury – Bureau of the Public Debt
Trust Fund Management Branch
Notes to the Schedules
September 30, 2002

Note 2 – Investments (continued)

Hazardous Substance Superfund Trust Fund

Investments at September 30, 2002, are non-marketable market based intragovernmental securities as follows:

	Cost	Net Unamortized Premium (Discount)	Net Investments	Market Value
One-day Certificates	\$481,422,000	N/A	\$481,422,000	\$481,422,000
Bills and Notes	2,752,930,000	\$62,649,858	2,815,579,858	2,822,452,954
Total	<u>\$3,234,352,000</u>	<u>\$62,646,858</u>	<u>\$3,297,001,858</u>	<u>\$3,303,874,954</u>

The market value of investments is calculated using rates for September 30, 2002, as published in the *Treasury Quote* file. The net unrealized gain on the securities is \$6,873,096 at September 30, 2002.

Leaking Underground Storage Tank Trust Fund

The investments at September 30, 2002, are non-marketable market based intragovernmental securities as follows:

	Cost	Net Unamortized Discount/Premium	Net Investments	Market Value
One-day Certificates	\$95,915,000	N/A	\$95,915,000	\$95,915,000
Bills and Notes	1,796,854,000	\$36,751,851	1,833,605,851	1,899,744,339
Totals	<u>\$1,892,769,000</u>	<u>\$36,751,851</u>	<u>\$1,929,520,851</u>	<u>\$1,995,659,339</u>

The market value of investments is calculated using rates for September 30, 2002, as published in the *Treasury Quote* file. The net unrealized gain on investments is \$66,138,488 at September 30, 2002.

U.S. Department of the Treasury – Bureau of the Public Debt
Trust Fund Management Branch
Notes to the Schedules
September 30, 2002

Note 2 – Investments (continued)

Oil Spill Liability Trust Fund

The investments at September 30, 2002, are non-marketable market based intragovernmental securities as follows:

	Cost	Net Unamortized Premium (Discount)	Net Investments	Market Value
One-day Certificates	\$79,896,000	N/A	\$79,896,000	\$ 79,896,000
Bills, Notes, Bonds	923,190,000	\$2,345,466	925,535,466	931,420,790
Totals	<u>\$ 1,003,086,000</u>	<u>\$2,345,466</u>	<u>\$ 1,005,431,466</u>	<u>\$1,011,316,790</u>

The market value of investments is calculated using rates for September 30, 2002, as published in the *Treasury Quote* file. The net unrealized gain on the securities is \$5,885,324 at September 30, 2002.

Note 3 - Change in Program Agency Equity

Federal Supplementary Medical Insurance Trust Fund

Change in program agency equity, for the year ended September 30, 2002, is:

Balance, beginning of year	\$ 42,683,352,511
Decrease in balance	<u>(3,267,014,047)</u>
Balance, end of year	<u>\$ 39,416,338,464</u>

Federal Hospital Insurance Trust Fund

Change in the program agency equity, for the year ended September 30, 2002, is:

Balance, beginning of year	\$203,207,009,947
Increase in balance	<u>29,944,732,488</u>
Balance, end of year	<u>\$233,151,742,435</u>

U.S. Department of the Treasury – Bureau of the Public Debt
Trust Fund Management Branch
Notes to the Schedules
September 30, 2002

Note 3 - Change in Program Agency Equity (continued)

Highway Trust Fund

Change in program agency equity for the year ended September 30, 2002 is:

Balance, beginning of year	\$26,217,168,664
Decrease in balance	<u>(5,265,497,646)</u>
Balance, end of year	<u>\$ 20,951,671,018</u>

Airport and Airway Trust Fund

Change in program agency equity for the year ended September 30, 2002, is:

Balance, beginning of year	\$14,068,653,008
Decrease in balance	<u>(2,362,299,079)</u>
Balance, end of year	<u>\$11,706,353,929</u>

Hazardous Substance Superfund Trust Fund

Change in program agency equity for the year ended September 30, 2002, is:

Balance, beginning of year	\$3,724,812,057
Decrease in balance	<u>(412,961,596)</u>
Balance, end of year	<u>\$3,311,850,461</u>

Leaking Underground Storage Tank Trust Fund

Change in program agency equity for the year ended September 30, 2002, is:

Balance, beginning of year	\$1,791,029,859
Increase in balance	<u>173,254,487</u>
Balance, end of year	<u>\$1,964,284,346</u>

Oil Spill Liability Trust Fund

Change in program agency equity for the year ended September 30, 2002, is:

Balance, beginning of year	\$1,129,200,496
Decrease in balance	<u>(121,212,325)</u>
Balance, end of year	<u>\$1,007,988,171</u>

U.S. Department of the Treasury – Bureau of the Public Debt
Trust Fund Management Branch
Notes to the Schedules
September 30, 2002

Note 4 - Contingencies

In the opinion of BPD management and legal counsel, there are no known administrative proceedings, legal actions, or claims that will result in a decision which will materially alter the assets, liabilities or activity of the Trust Fund.

Note 5 - Related Parties

TFMB, on behalf of the Secretary of the Treasury, compiles amounts deposited into the trust funds, invests receipts in Treasury securities, redeems securities and transfers funds to the program agencies, maintains accounting records for receipts and disbursements of the trust funds, and reports trust fund financial activity to the program agencies and other interested parties. The IRS and OTA determine the amounts to be deposited in the trust funds. The program agencies determine the disposition of the trust fund balances.